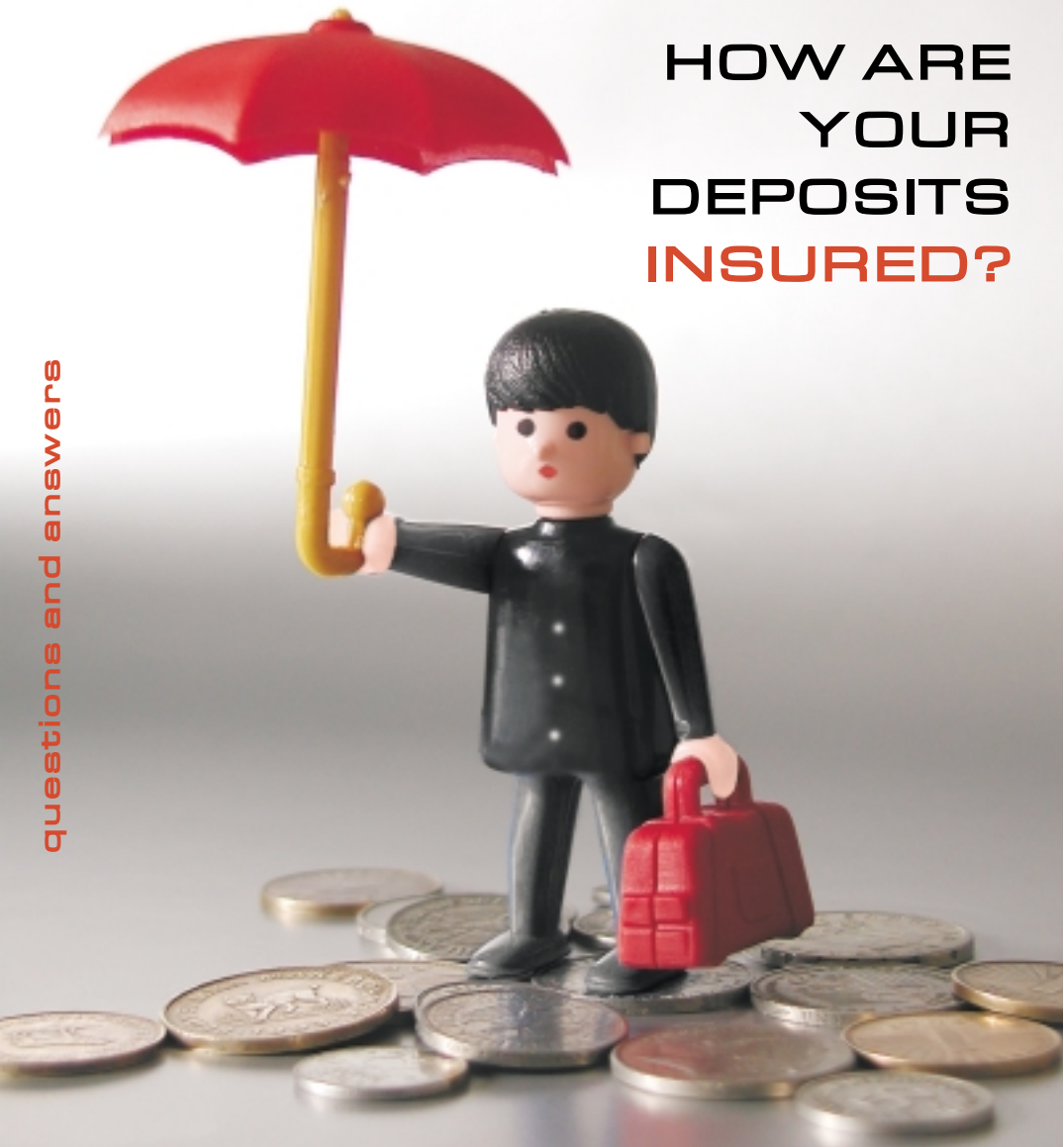


HOW ARE YOUR DEPOSITS INSURED?

questions and answers



Insuring deposits of individuals in banks and savings houses in the Republic of Macedonia



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The Deposit Insurance Fund Skopje insures deposits of individuals and promotes safe banking.

This leaflet explains the manner in which the Fund carries out its task. It also enables the reader to find out where to look for more information about the Fund and about insuring the deposits.

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I. GENERAL INFORMATION

1. What is the function of insuring deposits and why is it important for us?

The aim of insuring deposits of individuals is to ensure protection of depositors and thus maintain stability and public trust in the banking system of the country.

The case of "freezing" foreign currency savings deposits led to a drastic fall in the trust towards banks and savings houses. One of the measures undertaken was the establishment of the bank owned Savings Deposits Insurance Fund Inc. Skopje in January 1997, in order to introduce an insurance system.

The goal was to ensure guarantees for savings deposits of individuals up to a certain level.

In July 2000, the Deposit Insurance Fund Act was enacted, and the Fund was established in November 2000, as a state owned institution and legal successor of the Savings Deposits Insurance Fund Inc. Skopje.

The essence of deposit insurance in accordance with the Law may be summarized in three points:

1. In case of insolvency of a financial institution, all registered deposits whose owners may be identified are protected.
2. The upper protection limit is Euro 7.500 per individual depositor.
3. The insurance applies to all financial institutions that are members of the Fund.

2. Fund's Status

The Fund is a legal entity established by the state.

Its management bodies are the Managing Board and its Director. The managing Board consists of five members appointed by Government, three of whom are proposed by the Finance Minister, one by the Governor of the National Bank of the Republic of Macedonia, and one by the Banking and Insurance Association, who must be with banking and finance expertise and must not be a managing body member of or employee in a bank or savings house.

In order to carry out its role of deposit insurer, the Fund raises its assets from insurance premiums paid by banks and savings houses, as well as from net profits generated in its regular operation.

Certified international auditors perform the audit of the Fund's operation.

3. Which financial institutions are members of the Fund?

Insuring deposits with the Fund is mandatory for all banks and savings houses in the Republic of Macedonia licensed by the National Bank to take deposits from individuals. Currently, the total number of member banks and savings houses is 32.

Before depositing your funds, you should check whether the particular bank or savings house is a Fund member.

Banks and savings houses that are members of the Fund should have an announcement posted in their retail operations premises, prepared by the Fund.

II. INDIVIDUALS INSURED IN THE FUND

4. Whose deposits are protected?

The Fund insures only deposits of individuals in banks and savings houses that are members in the Fund.

Only identifiable registered deposits may be insured in the Fund.

In case an individual deposits funds in more than one bank or savings house, his/her deposits are separately insured in all institutions.

Deposits of under age depositors are insured in their own name, even if their parent or custodian has a deposit of his/her own in the same bank. The owner of funds is the insured party; that is, the person in whose name the funds are deposited is the insured party, and not the party authorized to work with the deposit.

In the case of joined deposits, it is regarded that the portions of all depositors are equal, unless otherwise defined in the agreement.

5. Which deposits are insured?

The following deposits of individuals are insured in the Fund:

- 1) denar and foreign currency deposits and current accounts of individuals in banks and savings houses in the Republic of Macedonia,
- 2) deposits backing money cards issued by banks established in the Republic of Macedonia, and

3) foreign currency inflow of individuals in banks in the Republic of Macedonia.

In cases of individuals with liabilities to the bank or savings house, the guarantee is reduced by the amount of such liabilities.

6. Whose deposits are not protected?

The Fund does not guarantee the following deposits of individuals:

- 1) Deposits of individuals with privileged terms of interest, higher than those announced in the bank or savings house.
- 2) Deposits of individuals owning more than 10% of the voting shares in the bank or savings house;
- 3) Deposits of members of managing bodies of the bank or savings house;
- 4) Deposits of first-of-kin relatives of the individuals stated in item 2 and 3 (spouses and children).

III. GUARANTEE AMOUNT

7. What is the guarantee level?

The Fund indemnifies individuals up to:

- 1) 100% of the deposit of each individual in a bank or savings house not exceeding the amount of denar equivalent of Euro 1,500, and

2) 90% of the deposit of each individual in a bank or savings house not exceeding the amount of denar equivalent between Euro 1,500 and 7,500, but not more than a denar equivalent of Euro 7,500.

Deposit of an individual means the total deposits of the individual in a bank or savings house.

8. Are only denar deposits insured or does the insurance also cover foreign currency deposits?

The insurance covers both denar and foreign currency deposits. The Fund indemnifies all types of deposits in denars.

Foreign currency deposits are paid out at the medium exchange rate of the National Bank of the Republic of Macedonia, valid on the payment date.

9. Who bears the deposit insurance costs?

Depositors pay nothing. The Fund raises its funds through the collection of insurance premiums paid in by banks and savings houses that are members of the Fund. There must be no legal obstacle for payment of funds legally belonging to the depositors. In case additional funds are required, the Fund may use foreign and domestic borrowings, including borrowings from the Budget of the Republic of Macedonia. In this way, the state guarantees the Fund's credibility.

10. What does the Euro 7,500 limit mean?

The Law clearly states that the amount of Euro 7,500 is the maximum amount the Fund may pay out to an individual depositor in case of a failure of a bank or a savings house. The indemnification amount is calculated on the following basis:

the deposited principal, the accrued interest and non-accrued interest (until the date of occurrence of the risky event), which, in the case of denar deposits, is calculated at the National Bank's discount rate and, in the case of foreign currency deposits, at a three-month's EURIBOR.

11. What happens with claims exceeding the amount of Euro 7,500?

The risk of depositors lies only in the portion exceeding the Euro 7,500 maximum indemnification amount. Depositors may receive their assets (principal and interest) exceeding the indemnification amount from the bankruptcy estate of the bank or savings house. They are entitled to the right to file such claims with the bankruptcy trustee of the bank or savings house.

12. How to protect the large deposits, i.e. individuals who have deposited larger amounts of money?

The insurance includes both individuals and banks, so that there are two possibilities.

- 1) Large deposits may be divided; for instance, deposits may be open in the name of the spouse or children within one bank or savings house.
- 2) Depositors with large deposits may deposit their funds in more than one bank or savings house.

In these ways, the upper insurance limit may be increased to Euro 7,500 per individual in a bank and per individual in several banks.

13. Examples of calculation of the indemnification amount for a depositor in a bank or savings house

Example No 1

Depositor	Type of deposit	Balance on the account, in Denars
A	Denar saving deposit	10.000
A	Foreign currency saving deposit	10.000
A	Current account	5.000
A	Deposit backing money card	15.000
A	Foreign currency inflow	3.000
Total deposits in Denars		43.000
Total deposits in Euro		705
Indemnification amount - 100% - in Euro		705
Total indemnification to be paid out in Denars		43.000

Example No 2

Depositor	Type of deposit	Balance on the account, in Denars
B	Denar saving deposit	5.000
B	Foreign currency saving deposit	210.000
B	Current account	8.000
B	Deposit backing money card	35.000
B	Foreign currency inflow	12.000
Total deposits in Denars		270.000
Total deposits in Euro		4.426
a) Indemnification amount - 100% - in Euro		1.500
b) Indemnification amount - 90% of the remainder of the deposits of 2.926 in Euro		2.633
Total indemnification in Euro (a+b)		4.133
Total indemnification to be paid out (a+b) in Denars		252.113

Example No 3

Depositor	Type of deposit	Balance on the account, in Denars
C	Denar saving deposit	150.000
C	Foreign currency saving deposit	600.000
C	Current account	10.000
C	Deposit backing money card	30.000
C	Foreign currency inflow	15.000
Total deposits in Denars		805.000
Total deposits in Euro		13.197
a) Indemnification amount - 100% - in Euro		1.500
b) Indemnification amount - 90% of the remainder of the deposits of 11.697 Euro = 10.527 Euro, but the Law will only allow a total maximum of up to 7.500 Euro (1.500+6.000) in Euro		10.527
Total indemnification (a + b) in Euro		7.500
Total indemnification to be paid out (a + b) in Denars		457.500

(1 Euro = 61 Denar)

IV. OCCURRENCE OF A RISKY EVENT

14. What is regarded as the date of occurrence of a risky event?

The National Bank of the Republic of Macedonia conducts control and supervision over the operation of banks and savings houses that are members of the Fund.

The Fund pays out insured deposits of individuals after the date on which:

- 1) The National Bank Governor issues a decision to revoke the license for establishment and operation of a bank or savings house, or
- 2) the majority of members of the Fund's Managing Board decide that a bank or savings house has generally ceased paying out deposits to individuals.

The date of item 1 and 2 is regarded as the date of occurrence of a risky event.

V. PRACTICAL ADVICE

15. What data should a depositor submit in the bank / savings house to ensure valid insurance that would be paid out?

All such data that will enable the institution to identify the depositor.

Individuals should at least submit their name, address and ID or passport number.

Depositors should inform the institution about any changes in the data. Those who will not do so are also entitled to indemnification, but will be harder to identify and it will take longer to indemnify them.

16. Which rights and obligations do depositors have in savings houses regarding the monitoring of the balance on their deposits?

Pursuant to a special resolution of the National Bank of the Republic of Macedonia, depositors in savings houses should regularly check the balance on their deposits (principal and interest) presented on lists posted within the retail operations premises of the savings houses. In the case of false data, they have the right to notify the National Bank.

17. In the case of a risky event, what should a depositor do to get his funds refunded as soon as possible?

The Fund notifies the depositors of a bank or savings house in bankruptcy through the media about the place and date of beginning of indemnification payment.

Depositors should file a request by filling in a form they can obtain free of charge at the paying bank, as defined by the Fund.

The Fund indemnifies the claims in accordance with the records of the bank or savings house, confirmed by the National Bank.

18. How soon do insured depositors receive their money?

The Fund pays out insured deposits of individuals within three months following the date of occurrence of a risky event.

19. How is payment carried out?

Payment is done in denars, in cash, at the tellers of the paying bank; the Fund notifies depositors through the media and on its Web site.

20. Do claims become time barred?

Yes. In case a depositor fails to demand indemnification from the Fund within 5 years, the right to file a request expires and such monies remain within the Fund's reserves.

21. Where should one seek answers to questions?

The existing regulations binds banks to provide easy-to-understand information regarding issues related to deposit insurance, particularly on the type of the deposits that are insured.

All other information may be obtained in the Fund, at its head office in Skopje.

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Note:

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